

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Crawford County Transportation Authority</b>	County <b>Crawford</b>
Audit Date <b>9/30/05</b>	Opinion Date <b>11/18/05</b>	Date Accountant Report Submitted to State: <b>1/10/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Anderson &amp; Decker, P.C.</b>				
Street Address <b>P.O. Box 746</b>		Digitally signed by James M. Anderson, CPA DN: cn=James M. Anderson, CPA, c=US, o=James M. Anderson, P.C., email=jma@m33access.com Date: 2006.01.10 16:08:19 -05'00'	City <b>Roscommon</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>48653</b>		
		Date <b>1/10/06</b>		

**CRAWFORD COUNTY  
TRANSPORTATION AUTHORITY**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED SEPTEMBER 30, 2005**

# **CRAWFORD COUNTY TRANSPORTATION AUTHORITY**

## **Board of Directors**

Ruth O'Mara

Dennis Long

Lee Riley

Brian Hulbert

Jeannette Kitchen

Fred Schaibley

Lynnette Corlew

## **Executive Director**

Julee K. Dean

# CRAWFORD COUNTY TRANSPORTATION AUTHORITY

## TABLE OF CONTENTS

### PAGE

INDEPENDENT AUDITORS' REPORT . . . . . 1-2

MANAGEMENT'S DISCUSSION AND ANALYSIS . . . . . 3-4

### FINANCIAL STATEMENTS:

#### ENTERPRISE FUND

Statement of Net Assets . . . . . 5

Statement of Revenues, Expenses, and Changes in Net Assets . . . . . 6

Statement of Cash Flows . . . . . 7-8

#### FIDUCIARY FUND

Statement of Fiduciary Net Assets . . . . . 9

Statement of Changes in Fiduciary Net Assets . . . . . 10

### NOTES TO FINANCIAL STATEMENTS

NOTE A - General Information and Summary of Significant Accounting Policies . . . . .	11-12
NOTE B - Cash and Investments . . . . .	13
NOTE C - Property and Equipment . . . . .	14
NOTE D - Contributed Capital . . . . .	14-15
NOTE E - Designated Retained Earnings . . . . .	15
NOTE F - Property Taxes . . . . .	15
NOTE G - Money Purchase Pension Plan . . . . .	15
NOTE H - Michigan Employees Retirement System . . . . .	16-18
NOTE I - Risk Management . . . . .	18
NOTE J - Commitments - State Liens . . . . .	18

**CRAWFORD COUNTY TRANSPORTATION AUTHORITY**

**TABLE OF CONTENTS (CONTINUED)**

**SUPPLEMENTAL INFORMATION**

**PAGE**

Schedules:

Schedule of Contributed Capital . . . . . 19

Schedule of Capital Contracts . . . . . 20

Schedule of Operating Expenses by Function . . . . . 21

Schedule of Net Eligible Cost Computations of  
Demand/Response Operations . . . . . 22

Auditors' Disclaimer Regarding Schedule of  
Mileage, Vehicle Hours, and Passengers . . . . . 23

Schedule of Mileage, Vehicle Hours, and Passengers . . . . . 24-25

Report on internal control over financial reporting and on  
compliance and other matters based on an audit of financial  
statements performed in accordance with government auditing  
standards . . . . . 26-27



# Anderson & Decker, P.C.

## **CERTIFIED PUBLIC ACCOUNTANTS**

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653  
(989) 275-8831

### **INDEPENDENT AUDITORS' REPORT**

November 18, 2005

Board of Directors  
Crawford County Transportation Authority  
4276 W. North Down River Road  
Grayling, Michigan 49738

We have audited the accompanying financial statements of the business-type activity and major fund, which collectively comprise the basic financial statements, of the Crawford County Transportation Authority as of and for the year ended September 30, 2005, as listed in the table of contents. These statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

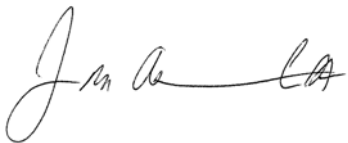
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and major fund of the Crawford County Transportation Authority as of September 30, 2005, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In Accordance with Governmental Auditing Standards, we have also issued a report dated November 18, 2005, on our consideration of the Crawford County Transportation Authority's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3-4 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Crawford County Transportation Authority basic financial statements. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "J. Anderson", written in dark ink.

ANDERSON & DECKER, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

**CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2005**

To: The Board of Directors of the Crawford County Transportation Authority (CCTA) and Interested Members of the Public:

This narrative overview and analysis of issues associated with the operations conducted by the Crawford County Transportation Authority for the fiscal year ended September 30, 2005, is presented in conjunction with and is considered part of the Authority's Annual Compliance Audit prepared by Anderson and Decker, P.C., Certified Public Accountants.

My position as Executive Director of the Crawford County Transportation Authority began on July 1, 2005. I worked along side the previous Director from March 7, 2005 until the end of June. In order to get additional insight into the type of year the Authority has fully experienced, I spoke with the retired Director to get his input on the program from the beginning of FY2005, up until the point in which I took over.

**System Issues:**

Fiscal Year 2005 was consistent with previous years, as it was good on the whole. The Management transition went smoothly, the retiring director and myself worked together for almost four months before he fully stepped aside. The system did have one minor accident in July, but there were no personal injuries resulting from this accident. Policies, training and committed employees all help our system to run at its fullest potential.

**Policy Issues:**

In order to better familiarize myself with the day to day operations of the program, it was one of my first responsibilities to undertake the task of revising and updating the employee policy manual. The manuals were, upon completion, separated into two different manuals. The first of which is the Operations Policy Manual that defines rules and policies relating primarily to dispatchers and drivers. The second manual, the Employee Policy Manual, encompasses all employees working at the Crawford County Transportation Authority. This task was completed in early June. All employees of CCTA were given updated policy manuals.

**Financial Position and Related Issues:**

Again, as in past years, the CCTA's financial status has remained sound. The three areas of concern that were problematic in the past, remain so. This would be the rising cost of Health Care, Liability Insurance and Diesel Fuel.



**CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)  
SEPTEMBER 30, 2005**

**Personnel Issues:**

CCTA continues to have an excellent record in maintaining employees. CCTA lost one employee over the last year due to personal reasons. This employee had been working at CCTA since 1998, and did not cite a problem with their employment as a reason for leaving. CCTA also hired three new part-time employees over the past year. CCTA employees continue to exhibit high standards regarding their work ethics, and management continues to strive to keep employee moral as high as possible.

**Litigation Issues:**

Crawford County Transportation Authority is not currently involved in any form of litigation. CCTA Management is not aware of any individual, group, agency or corporation that has threatened to bring suit against CCTA.

Julee K. Dean  
Executive Director

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
STATEMENT OF NET ASSETS  
ENTERPRISE FUND  
SEPTEMBER 30, 2005

ASSETS

Current Assets:

Cash	\$ 788,701
Investments	404,458
Due from State - MDOT	134,535
Accounts receivable, net	22,125
Inventories	34,738
Prepaid expenses	<u>52,324</u>

Total Current Assets	1,436,881
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Property and equipment, less accumulated depreciation	<u>849,731</u>
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Total Assets	<u>2,286,612</u>
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LIABILITIES

Current Liabilities:

Accounts payable	7,682
Accrued liabilities	86,878
Deferred revenue	<u>762</u>

Total Current Liabilities	<u>95,322</u>
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NET ASSETS:

Contributed capital	134,241
Designated for trial application	1,000
Invested in capital assets, net of related debt	849,731
Unrestricted	<u>1,206,318</u>

Total Net Assets	<u><u>\$ 2,191,290</u></u>
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The accompanying notes are an integral part of the financial statements.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
ENTERPRISE FUND  
YEAR ENDED SEPTEMBER 30, 2005

Operating Revenues	
Charges for services	
Fare box and special fares	\$ 253,488
Charter	6,527
Vehicle maintenance	989
Other	<u>125</u>
Total operating revenues	<u>261,129</u>
Operating Expenses	
Salaries and wages	707,692
Fringe benefits	270,319
Materials and supplies	136,048
Services	33,180
Utilities	23,089
Casualty and liability insurance	52,247
Miscellaneous	5,600
Depreciation	<u>251,120</u>
Total operating expenses	<u>1,479,295</u>
Operating income (loss)	<u>(1,218,166)</u>
Non-operating Revenues (expenses)	
Property taxes	352,801
Federal	156,826
State - Demand response	482,178
State and Federal capital grants	52,807
Interest/investment income	<u>25,054</u>
Total non-operating revenues	<u>1,069,666</u>
Change in Net Assets	(148,500)
Net Assets - October 1, 2004	<u>2,339,790</u>
Net Assets - September 30, 2005	<u><u>\$ 2,191,290</u></u>

The accompanying notes are an integral part of the financial statements.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
FOR YEAR ENDED SEPTEMBER 30, 2005

Cash flows from operating activities	
Cash receipts from operations	\$ 259,750
Cash payments for supplies and services	(282,424)
Cash payments for employee services and fringes	<u>(987,024)</u>
Net cash provided (used) by operating activities	<u>(1,009,698)</u>
Cash flows from noncapital financing activities	
Property taxes	352,801
Federal operating grants	141,520
State operating grants	<u>452,553</u>
Net cash provided (used) by noncapital financing activities	<u>946,874</u>
Cash flows from capital and related financing activities	
Federal/State capital grants	18,036
Purchase of fixed assets	<u>(54,335)</u>
Net cash provided (used) by capital and related financing activities	<u>(36,299)</u>
Cash flows from investing activities	
Purchase of investments	(8,735)
Investment income	<u>25,054</u>
Net cash provided (used) in financing activities	<u>16,319</u>
Net increase (decrease) in cash and cash equivalents	(82,804)
Cash and Cash Equivalents - October 1, 2004	<u>871,505</u>
Cash and Cash Equivalents - September 30, 2005	<u><u>\$ 788,701</u></u>

The accompanying notes are an integral part of the financial statements.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUND (CONTINUED)  
FOR YEAR ENDED SEPTEMBER 30, 2005

Reconciliation of operating income  
to net cash provided by operating activities:

Operating income (loss) \$(1,218,166)

Adjustments to reconcile operating income  
to net cash provided by operating activities:

Depreciation	251,120
Decrease (increase) in accounts receivable	(1,379)
Decrease (increase) in inventories	(26,432)
Decrease (increase) in prepaid expenses	(3,487)
Increase (decrease) in accounts payable	(2,341)
Increase (decrease) in accrued liabilities	<u>(9,013)</u>

Total adjustments 208,468

Net cash provided (used) by operating activities \$(1,009,698)

The accompanying notes are an integral part of the financial statements.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
STATEMENT OF FIDUCIARY NET ASSETS  
PENSION TRUST FUND  
SEPTEMBER 30, 2005

Assets

Investments	\$ <u>6,109</u>
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Total Assets	<u>6,109</u>
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Net Assets

Held in trust for Pension benefits	<u><u>\$ 6,109</u></u>
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The accompanying notes are an integral part of the financial statements.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PENSION TRUST FUND  
FOR YEAR ENDED SEPTEMBER 30, 2005

Additions

Interest and investment income	\$	<u>228</u>
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Total Additions		<u>228</u>
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Deductions

Administrative fees		<u>36</u>
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Total Deductions		<u>36</u>
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Change in Net Assets		192
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Net Assets - October 1, 2004		<u>5,917</u>
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Net Assets - September 30, 2005	\$	<u><u>6,109</u></u>
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The accompanying notes are an integral part of the financial statements.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

NOTE A - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

DESCRIPTION OF OPERATIONS AND FUND TYPE

The Authority was organized in 1982, as successor to the Crawford County Public Transit. In 1998 The Authority reorganized under Act 196 of 1986 of the Public Acts of the State of Michigan. The Authority is a separate legal and administrative unit of government. The purpose of the Authority is to provide public transport services to the general public within Crawford County.

Fund financial statements are provided for enterprise and fiduciary funds.

The Authority Operations Fund is classified as an Enterprise Fund to conform to management requirements and State regulations. An Enterprise Fund is used to report operations that provide services which are financed by user charges, of activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. Enterprise Funds use the accrual basis of accounting.

The Pension Trust Fund accounts for assets, liabilities and financial transactions of the Crawford County Transportation Authority Defined Contribution Pension Trust Fund. The Authority is the Trustee of the Plan which covers substantially all of its employees with two years seniority. The Pension Trust Fund uses the accrual basis of accounting. The Assets of the Authority's investment in the Municipal Employees Retirement System of Michigan (MERS) are not included in these financial statements

The following is a summary of the significant accounting policies of the Authority:

**INVENTORY** - Inventories of fuel, lubricants, tires, tubes and vehicle parts are recorded at cost, less estimated allowances for obsolescence, and are expended using the cost method. Obsolete inventory has been marked-down to its estimated market value. Inventories of office supplies and other similar items are recorded as an expenditure at the time of purchase.

**FIXED ASSETS AND DEPRECIATION** - Fixed assets acquired prior to 1982 are stated at salvage value. All other fixed assets are stated at cost. Fixed assets purchased with moneys furnished by the State and the U.S. Department of Transportation are secured by the State. These assets are, at the State's option, either returned to the State or otherwise disposed when retired. Depreciable fixed assets are depreciated over the estimated useful life of the assets on the straight-line method.



CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPENSATED ABSENCES - All compensated absences are recorded as an expense and a liability as they are earned.

CONTRIBUTED CAPITAL - Prior to October 1, 2000, proceeds received from the State and the U.S. Department of Transportation, in accordance with contracts to purchase fixed assets were credited to Contributed Capital and were not recorded as revenue. Depreciation of fixed assets purchased with these funds is charged against Contributed Capital.

PROPERTY TAXES - Property taxes are levied as of December 1 of each year and are due by the last day of the following February. The taxes are collected by the local units of government within the County and are periodically remitted to the Authority through the County during the collection period. The taxes are recognized as revenue in the year in which payment is due.

STATE AND FEDERAL OPERATING ASSISTANCE - Revenues from State and Federal operating assistance programs are recognized when earned rather than when received. Earned revenues from these sources are computed using the approved cost allocation principles and guidelines approved by the Michigan Department of Transportation.

COST ALLOCATIONS - The following are the major cost allocations used by the Authority and which have been approved by the State:

Building depreciation and utilities costs are allocated among operations, maintenance and administration based on the square footage utilized by each function.

Maintenance of Third-Party Vehicles - Expenses related to charges for maintenance of third-party vehicles are allocated as follows:

1. Labor and fringe costs are charged to third-party maintenance and bus maintenance based on direct maintenance hours charged to each.
2. Parts charges are based on original cost.
3. Supplies, utilities and depreciation costs are prorated between third-party maintenance and bus maintenance based on direct maintenance hours charged to each.

Charter - The charter rate is negotiated with each customer based on prior years operating expenses.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

NOTE B - CASH AND INVESTMENTS

Cash deposits are held at Citizens Bank, Chemical Bank West, Huntington Bank and Fifth Third Bank, both directly and through the Crawford County Treasurer's Common Cash Account. Cash on deposit held by the Crawford County Treasurer shares FDIC insurance coverage with all other assets held by the County Treasurer. The proportionate share of FDIC insurance coverage related to the Authority's cash and certificate of deposit held by the County Treasurer has not been determined.

Operations Fund investments are in Bank One Short Term Investment Fund for governmental entities, and American Express Mutual Funds.

Pension Trust Funds listed on the balance sheet are invested in mutual funds of the ICMA Retirement Corporation.

State statute authorizes investment of funds in obligations of the U.S.; certificates of deposits and savings and checking accounts with banks, savings and loan associations of credit unions which are insured with the applicable federal agency; commercial paper within the three highest rate classifications by two rating services, maturing not later than 270 days from date, to the extent of 50% of total surplus funds; U.S. or agency repurchase agreements; bankers' acceptance of U.S. banks; and mutual funds.

Cash of the Operations Fund is stated at cost which approximates market value. Investments of the Operating fund are stated at cost. Investments of the Pension Trust Funds are stated at market value.

Deposits

Petty Cash	\$ 100
Insured - demand deposits and interest bearing accounts & certificates	355,159
Uninsured - deposits and certificates	319,746
Uninsured - (Cash with County) Common Cash	<u>113,696</u>
Total cash	<u>\$ 788,701</u>

	<u>Cost</u>	<u>Market</u>
Operations Fund Investments		
Uninsured, Uncollateralized, held by agent: Bank One Short Term Investment Fund for governmental units	\$ 306,672	\$ 306,672
American Express:		
AXP Short Duration U.S. Government Fund	60,069	60,025
Equity Value Funds	<u>37,717</u>	<u>38,805</u>
Total Operations Fund Investments	<u>\$ 404,458</u>	<u>\$ 405,502</u>
Pension Investments ICMA Retirement Corporation	<u>\$ 6,109</u>	<u>\$ 6,109</u>

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Balance 10/1/04	Additions	Deductions	Balance 9/30/05
Land	\$ 27,005	\$ -0-	\$ -0-	\$ 27,005
Buildings	832,258	-0-	-0-	832,258
Construction	44,625	-0-	-0-	44,625
Buses	1,198,485	40,190	-0-	1,198,485
Operations equipment	67,729	5,720	-0-	107,919
Garage equipment	133,590	-0-	-0-	139,310
Office equipment	24,077	-0-	-0-	24,077
Computer equipment	55,744	8,425	4,049	60,120
Totals	<u>\$ 2,383,513</u>	<u>\$ 54,335</u>	<u>\$ 4,049</u>	\$ 2,433,799
Accumulated depreciation	<u>\$ 1,336,997</u>	<u>\$ 251,120</u>	<u>\$ 4,049</u>	<u>1,584,068</u>
Net property and equipment				<u>\$ 849,731</u>

Useful lives of depreciable assets are as follows:

Buses & rehabilitations	3-10 years
Operations equipment	5-10 years
Garage equipment	3-15 years
Office equipment	3-10 years
Computer equipment	3-7 years
Building	4-20 years

NOTE D - CONTRIBUTED CAPITAL

The Contributed Capital equity account represents funds provided by the Federal Government and the State of Michigan, to the Authority, to purchase buildings, buses and equipment prior to July, 2000. Contributed capital balances as of September 30, 2000 have not been restated, and will continue to be amortized over the lives of the related fixed assets, until entirely depleted or sold. Depreciation of fixed assets purchased with Contributed Capital prior to July 2000, for year ended 2005 of \$72,452 was charged against this account.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

NOTE D - CONTRIBUTED CAPITAL (CONTINUED)

Effective for fiscal years beginning after July 2000, and for all subsequent years, all State/Federal Capital Grants will be recorded as revenue on the Statement of Revenues, Expenses and Changes in Net Assets. There were \$52,807 capital grants for the year ended September 30, 2005

Contributed Capital balances as of September 30, 2000 have not been restated, and will continue to be amortized over the lives of the related fixed assets, until entirely depleted.

NOTE E - DESIGNATED RETAINED EARNINGS - TRAIL APPLICATION

During the year ended September 30, 1999, the Authority designated \$10,000 for support of the development of a non-motorized trail in the Grayling area. No moneys were spent during Fiscal Year 2005. The unexpended balance of designated retained earnings at September 30, 2005 is \$1,000.

NOTE F - PROPERTY TAXES

In August 1988 the voters of Crawford County approved a countywide property tax levy (renewal) of up to 0.75 mill to provide for the continued operation of the Authority. Net property taxes collected for the year ended September 30, 2005 were \$352,801.

NOTE G - MONEY PURCHASE PENSION PLAN

Monies remaining in the Money Purchase Pension Plan at September 30, 2005 belong to terminated vested employees. The plan is administered by ICMA Retirement Corporation. Distributions from the funds will be made upon termination of employment or upon retirement, or on or after normal retirement age of 65. Pension assets of \$6,109, at September 30, 2005, are invested in the mutual funds of ICMA Retirement Corporation. Each participant determines the type of mutual fund in which his/her assets are invested.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

NOTE H - MICHIGAN EMPLOYEES RETIREMENT SYSTEM

PLAN DESCRIPTION - On August 1, 1997 the Authority Board of Directors adopted a defined benefit plan of the Michigan Employees Retirement System (MERS). MERS, an agent, multiple-employer public employee retirement system, acts as the common investment and administrative agent pursuant to State of Michigan Public Act 427 of 1984, as amended, and the Constitution of the State of Michigan. The Authority's plan provides benefits for Normal retirement, Deferred retirement, Disability retirement, Non-duty death allowance, Duty-connected death allowance, and all employees of the Authority participate. All participating employees have received prior service credit from their date of hire. There is no vesting for the first 10 years, and 100% vesting after 10 years.

Employees are eligible for retirement upon attaining the age of 50, and have completed 25 years of employment service; at age 55 with 15 years of employment service; or at age 60 with 10 years of employment service.

FUNDING POLICY - The plan's funding policy provides for mandatory employee contributions at a rate of 4.8% of regular gross wages and employer contributions of 10.92% for the last three months of 2004, 7.8% from January through September 30, 2005. Crawford County Transportation Authority made employer contributions at 10.92% for the entire year. Required employer contributions are based on a percentage of compensation projected into the middle of the calendar year.

The normal cost and amortization payment were determined using the entry age normal actuarial funding method. Actuarial assumptions include (a) projected salary and wage increases of due to inflation of 4.5% and from 0.0% to 8.40% based on merit and longevity, (b) a net long-term investment yield rate of 8%, (c) 1994 Group Annuity Mortality Tables.

Unfunded actuarial accrued liabilities are amortized as a level percent of payroll over 30 years.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

NOTE H - MICHIGAN EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

ANNUAL PENSION COST - For the fiscal year ended September 30, 2005 the Authority's actual pension cost of \$59,390, was 10.92% of covered payroll for October, 2004 through December 2004, and 7.8% for January through September 2005. An additional amount of \$15,679 was paid to be applied against past service costs. Total payroll for the year ended September 30, 2005 was \$687,440.

Components of the Actuarial Accrued Liability at December 31, 2004 the last date of Annual Actuarial Valuation, are as follows:

Actuarial Accrued Liability

Retirees and beneficiaries currently receiving benefits	\$ 558,480
Non-vested terminated employees (pending Refunds of accumulated member contributions)	80
Current employee contributions - including allocated investment income	262,056
Employer financed contributions - Including allocated investment income	<u>1,682,946</u>
Total Actuarial Accrued Liability	2,503,562
Net Assets Available for Benefits at Actuarial Value (Market Value (\$2,382,080))	<u>2,440,358</u>
Unfunded Actuarial Accrued Liability	<u>\$ 63,204</u>

For calendar year 2006 the Annual Required Contribution is \$62,832. The amortization factor used is .053632

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2005

NOTE H - MICHIGAN EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

Trend information of Aggregate Accrued Liabilities follows:

Valuation Date	<u>2004</u>	<u>2003</u>	<u>2002</u>
Accrued Liabilities	<u>\$ 2,503,562</u>	<u>\$ 2,184,652</u>	<u>\$ 1,927,308</u>
Valuation Assets	<u>\$ 2,440,358</u>	<u>\$ 2,230,129</u>	<u>\$ 1,834,462</u>
Funded percent	<u>92</u>	<u>102</u>	<u>95</u>
Unfunded Actuarial Liability	<u>\$ 63,204</u>	<u>\$ (45,477)</u>	<u>\$ 221,091</u>
Unfunded Actuarial Liability as a Percent of Annual Payroll	<u>9</u>	<u>-0-</u>	<u>16</u>

NOTE I - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries as well as medical benefits provided to full-time employees. The Authority has purchased commercial insurance for medical benefits, disability, and workers' compensation; fleet, real and personal property coverage; and general liability coverage.

NOTE J - COMMITMENTS - STATE LIENS

The Authority's facility is financed with both Federal and State funds. Part of the terms and conditions of the use of Federal and State funds is the requirement that the facility continue to be used for the purposes stated in the Authority's grant application, in perpetuity. Should the facility cease to be used for its stated purpose it will either revert to the Federal government or be sold and the proceeds divided proportionate to the original investment.

Most buses and a substantial amount of the equipment of the Authority have been purchased with State and Federal Grants. The Authority, by accepting those grants have accepted the obligation to use that equipment for public transportation purposes for the life of each asset.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
SCHEDULE OF CONTRIBUTED CAPITAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Balance October 1, 2004	\$ 206,694
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Deduct:

Depreciation of assets purchased from contributed capital	<u>72,452</u>
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Balance September 30, 2005	<u><u>\$ 134,242</u></u>
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CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
SCHEDULE OF CAPITAL CONTRACTS  
YEAR ENDED SEPTEMBER 30, 2005

Grantor: State of Michigan - Department of Transportation

Contract or Project Number	<u>Grant Amount</u>	<u>Previously Earned</u>	<u>Current Earned</u>	<u>Amount Remaining</u>
#01-0536	\$ 85,990	\$ 85,967	\$ (3,780)	\$ 3,803
#02-0030-Z4	173,255	170,574	2,681	-0-
#02-0030-Z7/S2	23,078	-0-	23,013	65
#02-0030-Z7	14,716	-0-	13,894	822
#02-0030-Z8	18,750	5,236	13,031	483
#02-0030-Z10	<u>12,500</u>	<u>-0-</u>	<u>3,968</u>	<u>8,532</u>
Total Operating Expenses	<u>\$ 328,289</u>	<u>\$ 261,777</u>	<u>\$ 52,807</u>	<u>\$ 13,705</u>

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
SCHEDULE OF OPERATING EXPENSES BY FUNCTION  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>OPERATIONS</u>	<u>MAINTENANCE</u>	<u>GENERAL ADMINIS- TRATION</u>	<u>TOTAL</u>
Operating Expenses:				
Salaries and wages	\$ 546,782	\$ 38,698	\$ 122,212	\$ 707,692
Fringe benefits	221,866	18,730	29,723	270,319
Materials and Supplies	89,967	34,806	11,275	136,048
Services	7,767	8,166	17,247	33,180
Utilities	10,033	8,136	4,920	23,089
Casualty & Liability insurance	49,177	925	2,145	52,247
Miscellaneous	1,524	-0-	4,076	5,600
Depreciation	<u>223,116</u>	<u>19,757</u>	<u>8,247</u>	<u>251,120</u>
Total Operating Expenses	<u>\$ 1,150,232</u>	<u>\$ 129,218</u>	<u>\$ 199,845</u>	<u>\$ 1,479,295</u>

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
NET ELIGIBLE COST COMPUTATIONS OF DEMAND/RESPONSE OPERATIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	FEDERAL SECTION 5311 <u>02-0030/Z12/R1</u>	STATE OPERATING ASSISTANCE
Operating Expenses:		
Salaries and wages	\$ 707,692	\$ 707,692
Fringe benefits	270,319	270,319
Materials and Supplies	136,048	136,048
Services	33,180	33,180
Utilities	23,089	23,089
Casualty and Liability insurance	52,247	52,247
Miscellaneous	5,600	5,600
Depreciation	<u>251,120</u>	<u>251,120</u>
Total operating expenses	<u>1,479,295</u>	<u>1,479,295</u>
Less ineligible expenses:		
Depreciation funded by grants	216,884	216,884
Board per diem	7,980	-0-
Audit	3,700	-0-
Other disallowed	<u>203</u>	<u>203</u>
Total ineligible expenses	<u>228,767</u>	<u>217,087</u>
Net eligible expenses	<u>1,250,528</u>	<u>1,262,208</u>
Less Project revenue:		
Charter	6,527	6,527
Vehicle Revenues	<u>989</u>	<u>989</u>
Total project revenue	<u>7,516</u>	<u>7,516</u>
Eligible expenses for reimbursement	<u>\$ 1,243,012</u>	<u>\$ 1,254,692</u>
Section 5311		
Reimbursement 12.40%	<u>\$ 154,133</u>	
State operating assistance (38.43%)		<u>\$ 482,178</u>



# Anderson & Decker, P.C.

**CERTIFIED PUBLIC ACCOUNTANTS**

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653  
(989) 275-8831

November 18, 2005

Board of Directors  
Crawford County Transportation Authority  
4276 W. North Down River Road  
Grayling, Michigan 49738

As required by the Michigan Department of Transportation, schedules of mileage, vehicle hours and number of passengers transported for the twelve months ended September 30, 2005 follows. This supplemental information was not audited by us and accordingly, we do not express an opinion on it. However, we have reviewed the compilation methods for mileage and passenger data and found them reliable.

Respectfully submitted,

ANDERSON & DECKER, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

CRAWFORD COUNTY TRANSPORTATION AUTHORITY  
MILEAGE, VEHICLE HOURS AND PASSENGERS (UNAUDITED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Month ended	MILEAGE	VEHICLE HOURS	PASSENGERS	
			REGULAR	SENIOR CITIZEN
2004				
October	43,986	1,943	6,185	909
November	44,466	2,011	5,717	735
December	41,498	2,009	5,352	668
2005				
January	48,648	2,228	6,637	639
February	43,580	1,997	6,499	515
March	50,105	2,288	7,234	591
April	43,847	1,959	5,513	548
May	50,567	2,183	7,099	619
June	42,942	2,060	4,712	724
July	38,690	1,943	5,295	669
August	43,320	2,150	3,787	646
September	<u>45,752</u>	<u>2,162</u>	<u>5,306</u>	<u>744</u>
Totals	<u><u>537,401</u></u>	<u><u>24,933</u></u>	<u><u>69,336</u></u>	<u><u>8,007</u></u>

<u>HANDICAPPED</u>	<u>SENIOR/ HANDICAP</u>	<u>TOTAL</u>
1,457	271	8,822
1,294	267	8,013
1,107	217	7,344
1,346	212	8,834
1,145	231	8,390
1,427	242	9,494
1,379	356	7,796
1,401	378	9,497
1,365	425	7,226
1,017	341	7,322
1,361	426	6,220
<u>1,480</u>	<u>390</u>	<u>7,920</u>
<u><u>15,779</u></u>	<u><u>3,756</u></u>	<u><u>96,878</u></u>



Anderson & Decker, P.C.

**CERTIFIED PUBLIC ACCOUNTANTS**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

November 18, 2005

Board of Directors  
Crawford County Transportation Authority  
4276 W. North Down River Road  
Grayling, Michigan 49738

Dear Board:

We have audited the financial statements of the Crawford County Transportation Authority for the year ended September 30, 2005, and issued our report thereon dated November 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Crawford County Transportation Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

### Segregation of Duties

The idea of segregation of duties is that two or more persons are part of a process, such as cash disbursements, so that if a mistake is made by one, it will become apparent to another within a reasonable time period.

Currently, the Authority has one person in the bookkeeping staff who is responsible for writing cash receipts received by mail, writing checks, recording cash receipts, cash disbursements, payroll, bank transfers and adjusting journal entries as well as preparing bank reconciliations.

Monthly financial statements, conveyance of bank transfers and cash receipts deposits, and signing of checks are done by Management personnel or the Board of Directors.

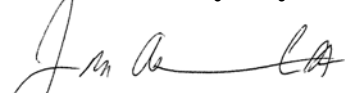
With the limited bookkeeping staff, the Authority has an inherent weakness in the internal controls related to the bookkeeping functions. Segregation of these duties should be made on a practical basis.

A material weakness is a condition reportable in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Crawford County Transportation Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could not have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the audit committee, management, the Board of Directors, and the State of Michigan, and is not intended to be, and should not be used by anyone other than these specified parties.



ANDERSON & DECKER, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS



**CRAWFORD COUNTY TRANSPORTATION AUTHORITY**

**REPORT TO MANAGEMENT**

**SEPTEMBER 30, 2005**



# Anderson & Decker, P.C.

**CERTIFIED PUBLIC ACCOUNTANTS**

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653  
(989) 275-8831

November 18, 2005

Board of Directors  
Crawford County Transportation Authority  
4276 W. North Down River Road  
Grayling, Michigan 49738

In planning and performing our audit of the financial statements of the Crawford County Transportation Authority, as of and for the year ended September 30, 2005, we considered the Authority's accounting, operational, and internal control procedures to determine the nature and extent of our audit testing for the purpose of expressing an opinion on the financial statements of the Authority and not to provide assurance on the procedures themselves.

We did however, during the course of our audit, become aware of certain matters that are opportunities for enhancing those procedures or controls. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated November 18, 2005, on the financial statements of the Crawford County Transportation Authority.

We have already discussed these comments and suggestions with the Authority's personnel, and we will be pleased to discuss them in further detail at your convenience, and/or to perform any additional studies of these matters, should you so desire.

Sincerely,

ANDERSON & DECKER, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

## COMMENTS AND RECOMMENDATIONS

### **Dispatch Software**

The Authority contracted with a software company for the purpose of developing dispatch software to be used in the Transit's operations. To date, a total of \$43,500 has been advanced to the Company. Originally the software was expected to be finalized in 2002. As of September 30, 2005, the final product has not been delivered. It is our understanding that the software is partially implemented and is expected to be fully implemented during the subsequent fiscal year. We recommend that if the Authority enters into contractual agreements of this nature in the future, a performance bond be required.